
By: ~~Delegate Hurson~~ Delegates Hurson, Benson, Bromwell, Costa, Donoghue, Elliott, Goldwater, Hammen, Haynes, Hubbard, Kach, Mandel, McDonough, Morhaim, Murray, Nathan-Pulliam, Oaks, Pendergrass, Redmer, Rosenberg, Rudolph, Smigiel, V. Turner, and Weldon

Introduced and read first time: February 7, 2003
Assigned to: Health and Government Operations

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 18, 2003

CHAPTER _____

1 AN ACT concerning

2 **Maryland Health Insurance Plan and Senior Prescription Drug Program -**
3 **Modifications and Clarifications**

4 FOR the purpose of altering the responsibilities of the Health Services Cost Review
5 Commission with respect to funding for the Maryland Health Insurance Plan;
6 clarifying the fiscal year used in calculating the funding for the Plan;
7 authorizing the Board of Directors for the Maryland Health Insurance Plan to
8 allow the Plan administrator to use premiums collected from enrollees to pay
9 certain claims; requiring the administrator to deposit premiums in a certain
10 account and to keep certain records; requiring the administrator, under certain
11 circumstances, to deposit a certain amount in the Maryland Health Insurance
12 Plan Fund; clarifying a certain limitation on the amount the administrator must
13 deposit in the Fund; authorizing the Board to make a certain adjustment under
14 certain circumstances; authorizing premiums collected for the Senior
15 Prescription Drug Program to be deposited into a certain account; making this
16 Act an emergency measure; and generally relating to the Maryland Health
17 Insurance Plan and Senior Prescription Drug Program.

18 BY repealing and reenacting, with amendments,
19 Article - Health - General
20 Section 19-219(d)
21 Annotated Code of Maryland
22 (2000 Replacement Volume and 2002 Supplement)

1 BY repealing and reenacting, with amendments,
2 Article - Insurance
3 Section 14-504, 14-505, and 14-513
4 Annotated Code of Maryland
5 (2002 Replacement Volume and 2002 Supplement)

6 BY repealing and reenacting, with amendments,
7 Chapter 153 of the Acts of the General Assembly of 2002
8 Section 10

9 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
10 MARYLAND, That the Laws of Maryland read as follows:

11 **Article - Health - General**

12 19-219.

13 (d) (1) In this subsection, "base hospital rate" means the aggregate value to
14 participating commercial health insurance carriers of the substantial, available, and
15 affordable coverage purchaser differential as determined by the Commission for the
16 calendar year 2002.

17 (2) The Commission, in accordance with this subsection, shall
18 [determine and collect] CALCULATE THE AMOUNT OF funds necessary to operate and
19 administer the Maryland Health Insurance Plan established under Title 14, Subtitle
20 5 of the Insurance Article.

21 (3) (i) The Commission shall determine the percentage of total net
22 patient revenue received in calendar year 2002 by all hospitals for which the
23 Commission approved hospital rates that is represented by the base hospital rate.

24 (ii) The percentage under subparagraph (i) of this paragraph shall
25 be determined by dividing the base hospital rate by the total net patient revenue
26 received in calendar year 2002 by all hospitals for which the Commission approved
27 hospital rates.

28 (4) On or before May 1 of each year, the Commission shall:

29 (i) Determine the amount of funding to allocate to the Maryland
30 Health Insurance Plan by multiplying the percentage determined under paragraph
31 (3) of this subsection by the value of the total net patient revenues received in the
32 immediately preceding STATE fiscal year by all hospitals for which rates were
33 approved by the Commission; and

34 (ii) Determine the share of total funding owed by each hospital for
35 which rates have been approved by the Commission proportionate to the percentage
36 of the base hospital rate attributable to each hospital.

1 (5) Each hospital shall remit monthly one-twelfth of the amount
2 determined under paragraph (4)(ii) of this subsection to the Maryland Health
3 Insurance Plan Fund.

4 **Article - Insurance**

5 14-504.

6 (a) (1) There is a Maryland Health Insurance Plan Fund.

7 (2) The Fund is a special nonlapsing fund that is not subject to § 7-302 of
8 the State Finance and Procurement Article.

9 (3) The Treasurer shall separately hold and the Comptroller shall
10 account for the Fund.

11 (4) The Fund shall be invested and reinvested at the direction of the
12 Board in a manner that is consistent with the requirements of Title 5, Subtitle 6 of
13 this article.

14 (5) Any investment earnings shall be retained to the credit of the Fund.

15 (6) On an annual basis, the Fund shall be subject to an independent
16 actuarial review setting forth an opinion relating to reserves and related actuarial
17 items held in support of policies and contracts.

18 (7) The Fund shall be used only to provide funding for the purposes
19 authorized under this subtitle.

20 (b) The Fund shall consist of:

21 (1) premiums for coverage that the Plan issues;

22 (2) premiums paid by enrollees of the Senior Prescription Drug Program;

23 (3) money collected in accordance with § 19-219 of the Health - General
24 Article;

25 (4) money deposited by a carrier in accordance with § 14-513 of this
26 subtitle;

27 (5) income from investments that the Board makes or authorizes on
28 behalf of the Fund;

29 (6) interest on deposits or investments of money from the Fund; and

30 (7) money collected by the Board as a result of legal or other actions
31 taken by the Board on behalf of the Fund.

1 (C) (1) THE BOARD MAY ALLOW THE ADMINISTRATOR TO USE PREMIUMS
2 COLLECTED BY THE ADMINISTRATOR FROM PLAN ENROLLEES TO PAY CLAIMS FOR
3 PLAN ENROLLEES.

4 (2) THE ADMINISTRATOR:

5 (I) SHALL DEPOSIT ALL PREMIUMS FOR PLAN ENROLLEES IN A
6 SEPARATE ACCOUNT, TITLED IN THE NAME OF THE STATE OF MARYLAND, FOR THE
7 MARYLAND HEALTH INSURANCE PLAN; AND

8 (II) MAY USE MONEY IN THE ACCOUNT ONLY TO PAY CLAIMS FOR
9 PLAN ENROLLEES.

10 (3) THE ADMINISTRATOR SHALL KEEP COMPLETE AND ACCURATE
11 RECORDS OF ALL TRANSACTIONS FOR THE SEPARATE ACCOUNT.

12 (4) BY THE 15TH OF THE FOLLOWING MONTH, IF MONTHLY PREMIUMS
13 COLLECTED BY THE ADMINISTRATOR EXCEED MONTHLY CLAIMS RECEIVED, THE
14 ADMINISTRATOR SHALL DEPOSIT THE REMAINING BALANCE, INCLUDING INTEREST,
15 FOR THAT MONTH IN THE FUND.

16 [(c)] (D) The Board shall take steps necessary to ensure that Plan enrollment
17 does not exceed the number of enrollees the Plan has the financial capacity to insure.

18 [(d)] (E) (1) In addition to the operation and administration of the Plan, the
19 Fund shall be used for the operation and administration of the Senior Prescription
20 Drug Program established under Part II of this subtitle.

21 (2) The Board shall maintain separate accounts within the Fund for the
22 Senior Prescription Drug Program and the Maryland Health Insurance Plan.

23 (3) Accounts within the Fund shall contain those moneys that are
24 intended to support the operation of the Program for which the account is designated.

25 [(e)] (F) A debt or obligation of the Plan is not a debt of the State or a pledge
26 of credit of the State.

27 14-505.

28 (a) (1) The Board shall establish a standard benefit package to be offered by
29 the Plan.

30 (2) The Board may exclude from the benefit package:

31 (i) a health care service, benefit, coverage, or reimbursement for
32 covered health care services that is required under this article or the Health -
33 General Article to be provided or offered in a health benefit plan that is issued or
34 delivered in the State by a carrier; or

35 (ii) reimbursement required by statute, by a health benefit plan for
36 a service when that service is performed by a health care provider who is licensed

1 under the Health Occupations Article and whose scope of practice includes that
2 service.

3 (b) (1) The Board shall establish a premium rate for Plan coverage subject to
4 review and approval by the Commissioner.

5 (2) The premium rate may vary only on the basis of family composition.

6 (3) IF THE BOARD DETERMINES THAT A STANDARD RISK RATE WOULD
7 CREATE MARKET DISLOCATION, THE BOARD MAY ADJUST THE PREMIUM RATE
8 BASED ON MEMBER AGE.

9 (c) (1) The Board shall determine a standard risk rate by considering the
10 premium rates charged by carriers in the State for coverage comparable to that of the
11 Plan.

12 (2) The premium rate for Plan coverage:

13 (i) may not be less than 110% of the standard risk rate established
14 under paragraph (1) of this subsection; and

15 (ii) may not exceed 200% of the standard risk rate.

16 (3) Premium rates shall be reasonably calculated to encourage
17 enrollment in the Plan.

18 (d) Losses incurred by the Plan shall be subsidized by the Fund.

19 14-513.

20 (a) [Premiums] AS DETERMINED BY THE BOARD, PREMIUMS collected for the
21 Program shall be deposited:

22 (1) to a segregated account in the Fund established under § 14-504 of
23 this subtitle; OR

24 (2) TO A SEPARATE ACCOUNT FOR THE PROGRAM ESTABLISHED BY THE
25 CARRIER THAT ADMINISTERS THE PROGRAM.

26 (b) In addition to premium income, the segregated account shall include:

27 (1) interest and investment income attributable to Program funds; and

28 (2) money deposited to the account by the carrier that administers the
29 Program in accordance with subsection (c) of this section.

30 (c) (1) On or before April 1, 2003 and quarterly thereafter, the Program
31 Administrator shall deposit to the Fund under § 14-504 of this subtitle[:

32 (i) premiums collected; and

1 (ii)] the amount, in excess of premiums collected, that is necessary
2 to operate and administer the Program for the following quarter.

3 (2) The amount deposited shall be determined by the Board based on
4 enrollment, expenditures, and revenue for the previous year.

5 (3) The amount required by the Board under paragraph (2) of this
6 subsection may not exceed the value of the Program Administrator's annual premium
7 tax exemption under § 6-101(b) of this article FOR THE PREVIOUS CALENDAR YEAR.

8 (4) Beginning July 1 of each year and quarterly thereafter, the Board
9 shall reimburse the Administrator for prescription drug claims and administrative
10 expenses incurred on behalf of the Program.

11 (5) Any rebates or other discounts obtained by the Program
12 Administrator as a result of prescription drug purchases on behalf of Program
13 enrollees from a pharmaceutical benefit manager or pharmaceutical manufacturer
14 shall inure to the benefit of the Program and be deposited to the Fund.

15 **Chapter 153 of the Acts of 2002**

16 SECTION 10. AND BE IT FURTHER ENACTED, That:

17 (1) The Health Services Cost Review Commission shall approve the
18 substantial, available, and affordable coverage (SAAC) purchaser differential through
19 March 31, 2003 for each carrier participating in the SAAC program, as long as the
20 carrier complies with the laws and regulations governing the SAAC program.

21 (2) For the final quarter of fiscal year 2003, the Health Services Cost Review
22 Commission:

23 (i) may not allow any carrier to receive a SAAC purchaser differential;

24 (ii) may not adjust hospital rates to reflect the elimination of any SAAC
25 purchaser differential; AND

26 (III) SHALL DETERMINE THE AMOUNT EQUAL TO THE VALUE OF THE
27 SAAC PURCHASER DIFFERENTIAL FOR EACH HOSPITAL FOR WHICH RATES HAVE
28 BEEN APPROVED BY THE COMMISSION.

29 (3) FOR THE FINAL QUARTER OF FISCAL YEAR 2003, THE MARYLAND HEALTH
30 INSURANCE PLAN:

31 [(iii)] (I) shall collect from each hospital for which rates are established
32 by the Commission an amount equal to the value of the SAAC purchaser differential
33 AS DETERMINED UNDER ITEM (2)(III) OF THIS SECTION and deposit that AMOUNT
34 [money, minus the losses and fees paid to SAAC carriers for the quarter,] into the
35 Maryland Health Insurance Plan Fund;

1 [(iv)] (II) shall establish a methodology for reimbursing each carrier for
2 losses incurred within the quarter that are attributable to SAAC enrollees; and

3 [(v)] (III) shall reimburse each carrier for losses incurred within the
4 quarter and pay each carrier an administration fee equal to 20% of premiums
5 collected for the quarter.

6 [(3)] (4) For calendar year 2002:

7 (i) a carrier that participates in the SAAC program through a health
8 maintenance organization product may not be required to hold an open enrollment
9 period for eligible individuals; and

10 (ii) a carrier that participates in the SAAC program through a preferred
11 provider organization product shall hold one 30-day open enrollment period for
12 eligible individuals in June 2002 and one 30-day open enrollment period for eligible
13 individuals in December 2002.

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency
15 measure, is necessary for the immediate preservation of the public health or safety,
16 has been passed by a ye and nay vote supported by three-fifths of all the members
17 elected to each of the two Houses of the General Assembly, and shall take effect from
18 the date it is enacted.